THE REGIONAL MUNICIPALITY OF

HAMILTON-WENTWORTH

FINANCIAL REPORT 1986

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HAMILTON-WENTWORTH

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Cover Photo:

Hamilton City Centre

The revitalized Hamilton downtown core offers a mix of modern office, shopping, dining, entertainment and sports facilities.

Photo by David Gruggen.

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Cootes Paradise

Cootes Paradise, showing the north bank located in the Town of Dundas, is a picturesque fish and wildlife preserve.

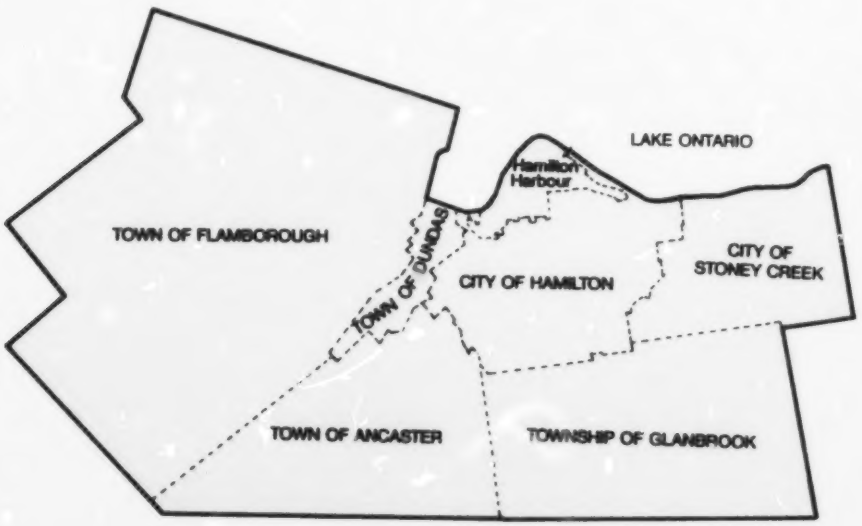
Photo by Paul Sparrow

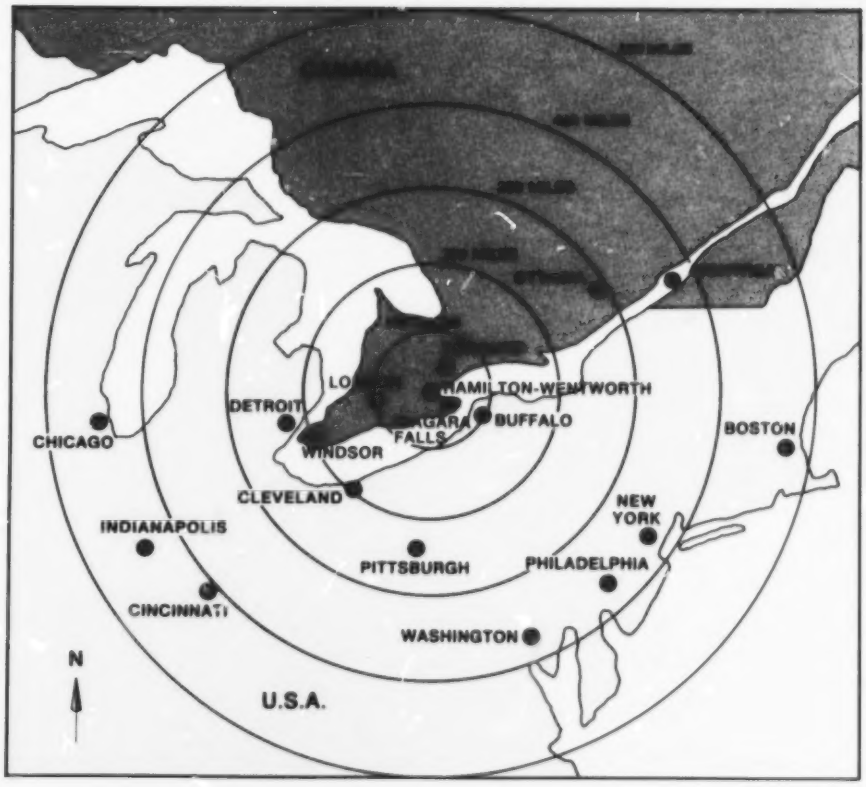
INTRODUCTION

GENERAL

The Regional Municipality of Hamilton-Wentworth is located in the southwestern section of the Province of Ontario, in the middle of Canada's economic heartland known as the Golden Horseshoe. Hamilton-Wentworth is situated approximately 42 miles (68 kilometres) west of Metropolitan Toronto, and within a 500 mile (800 kilometres) radius of the large American consumer markets such as Boston, Chicago and New York. The Region consists of six municipalities, the Cities of Hamilton and Stoney Creek, the Towns of Ancaster, Dundas and Flamborough and the Township of Glanbrook.

Hamilton-Wentworth business activity consists mainly of industrial and manufacturing enterprises, but is also considered a leading regional centre for education and health care. An excellent road, rail, air and water transportation network makes the Region a strategic location for industrial development. Nearby markets and sources for virtually all materials, components and supplies are easily accessible by an interconnecting highway system and excellent port facilities. Major national and international cargo carriers are now also being attracted to the Hamilton Airport which has just completed a major expansion including a new passenger terminal and an extended runway.





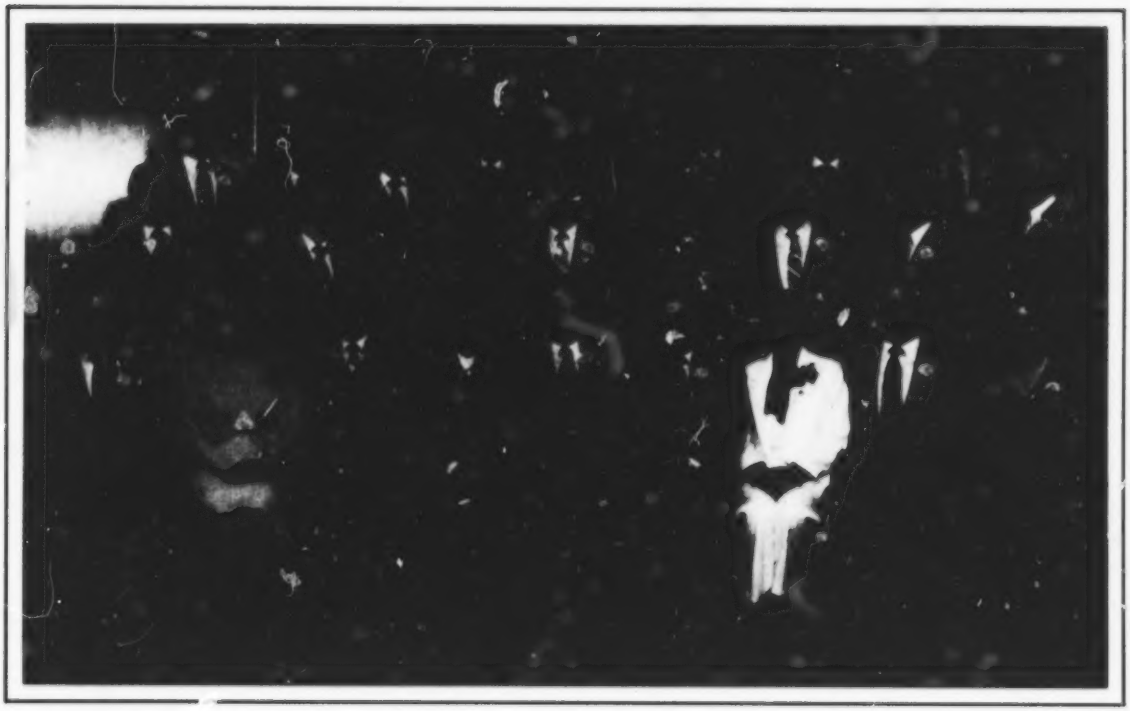
Distances to Hamilton-Wentworth

	Miles	Kilometres
Montreal	377	607
Ottawa	290	467
London	78	125
Buffalo	64	102
Niagara Falls	47	75
New York	508	818
Detroit	200	322
Chicago	487	784

	Miles	Kilometres
Washington	517	827
Boston	522	840
Cleveland	260	418
Philadelphia	505	808
Cincinatti	474	763
Indianapolis	489	782
Pittsburgh	295	475

GOVERNING STRUCTURE

The Regional Municipality of Hamilton-Wentworth is governed by Regional Council which is composed of twenty-seven members. These members include the mayor and sixteen elected officials from the City of Hamilton, and the mayor and one representative from each of the remaining five area municipalities by virtue of their election to local Council. The Council members form standing committees, each of which has specific responsibilities and reports to the Regional Council. Details of the standing committees can be found on the following page.



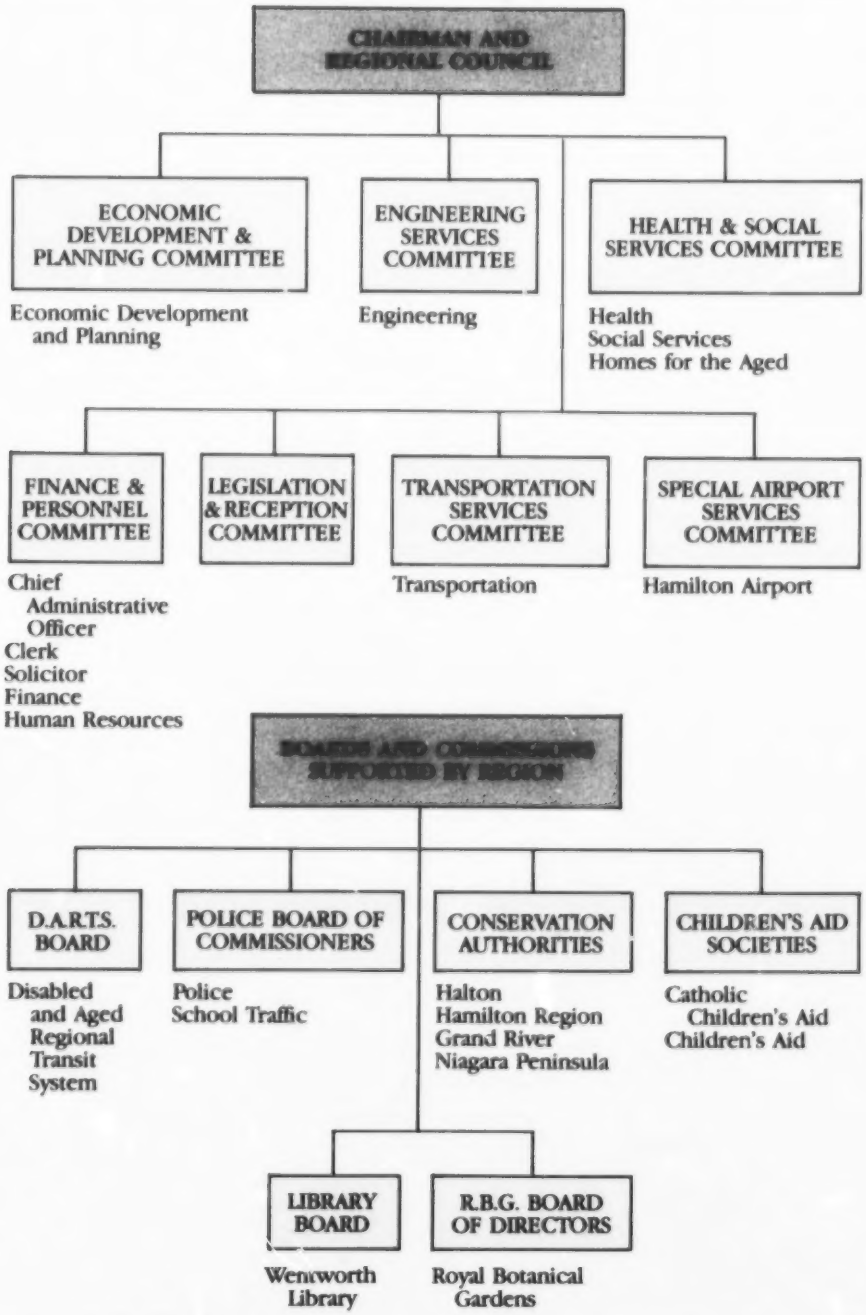
Front Row starting from left: Councillors P. Cowell, A. Sloat, S. Napper, M. A. Seldon, William Sears (Regional Chairman), R. Wade, H. Bell, J. A. Smith, S. Collins

Middle Row starting from left: Councillors W. McCulloch, D. Christopherson, G. Copps, T. Murray, M. Kiss, R. Wheeler, J. Robb, J. Addison

Back Row starting from left: Councillors J. Gallagher, J. Smith, P. Valeriano, G. Etherington, J. Barlow, B. Hinkley, D. Ross, V. Agro

Absent from photograph: Councillors T. Cooke, H. Merling, R. Morrow

COMMITTEE STRUCTURE



REPORT OF THE CHAIRMAN 1986

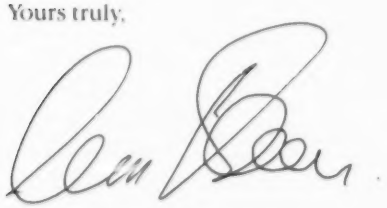
T[1] e Region of Hamilton-Wentworth is on the threshold of a new and exciting era. The years since our formation in 1974 have been spent in getting the Region established and onto a firm foundation both financially and politically.

The recent past has seen a revitalization to the heart and spirit of the City of Hamilton while at the same time the other municipalities that make up this progressive Region – Flamborough, Dundas, Ancaster, Glanbrook, and the new City of Stoney Creek have established a new sense of well-being and pride.

In 1986, a review of the Region's credit rating was undertaken. In view of the strengthening of the Region's financial position and the economy of the Region as a whole, our credit rating was upgraded from AA + to AAA–. In monetary terms, this means the taxpayer will benefit from the resulting reduction in interest rates on future debenture issues. Our thrust over the next few years will be in the area of economic growth and prosperity by attracting new and diverse people and industries to our community.

We look forward to the future with optimism.

Yours truly,



Wm. L. Sears, P. Eng.
Regional Chairman

REPORT OF THE COMMISSIONER OF FINANCE 1986

ECONOMIC OVERVIEW

Virtually every statistical indicator attests to a banner year for 1986 in the Region of Hamilton-Wentworth. Of particular note was the fact that the number of employed persons exceeded 281,000 for 1986, while the number of unemployed dropped to only 21,000.

The Region's healthy employment status was again spurred by outstanding development activity. Year end data shows that 55 subdivisions were registered, an increase of 22% over 1985. In addition, over 12,000 new home sales were recorded in 1986 which represented over $1.1 billion, an increase of 28% from the previous year. Building permits issued in 1986 were also at record levels totalling over $545 million; positive proof that 1987 will be another busy year for home construction activity in the Region.

The continued good economic condition of the Hamilton-Wentworth Region generated lower costs for Social Services again for 1986. We spent about $650,000 less than we planned – the result of a 10.7% reduction in the General Welfare caseload from that of 1985. This is the third consecutive year for general welfare caseload declines for the Region of Hamilton-Wentworth; a trend that has continued into 1987.

Major project announcements for 1985 were well underway or completed by the end of the year. The C.I.B.C. commercial banking tower has already made an impressive presence in the City of Hamilton's financial hub with the main tower approaching completion by the end of the year. Other noticeable projects taking shape include the $12 million SWARU retrofit project, the Stelco and Dofasco $1.25 billion capital expansion program, the Greenhill storm water storage/ treatment structure, and the major reconstruction and expansion program at the Hamilton General Hospital.

In terms of the future, capital projects that will attest to the Region's vibrancy for 1987 and beyond include a $46 million major Roads Rehabilitation Program, expansion of runway paths at the Hamilton Airport, and the ambitious 10 year East-West/North-South Transportation Corridor. In addition, potential capital activity being studied at present include a hotel development at Confederation Park, a new Regional Administration Building, and a Steel Science and Technology Centre/Museum in the Region – the first of its kind in Canada.

Hamilton-Wentworth is a Region that can reflect upon an exciting and successful history and more importantly can anticipate an enhancement of its success for the future – potential substantiated by the fact that the Canadian Bond Rating Service (C.B.R.S.) recently upgraded the Region's credit rating from AA + to AAA–.

REGIONAL FINANCIAL CONDITION

The continued constraint trend on government revenues has placed municipalities in positions which demand prudent control of their operations. Hamilton-Wentworth realized an operating surplus for the thirteenth consecutive year. Effective financial control at all levels of the corporation was responsible for this.

The average mill rate increase for the general levy in 1986 was 4.1% after allowing for a 1.6% growth in assessment. In addition, water and sewer service

rates (funded on a self-supporting basis) increased by approximately 3%. The average impact of all levies was 5.4% – the fourth consecutive year that Hamilton-Wentworth was amongst those Regions with the lowest overall impact on taxpayers. The 1986–1990 Capital Budget provided for total capital expenditure of $307 million. The budget represented an increase of 19% over the 1985–1989 program. Major highlights include new capital programs for Homes for the Aged, the Conservation Authority, Police and Hospitals.

The Region's Pay-As-You-Go policy will continue to finance capital activity at increasing levels. The portion of the budget to be met from Reserves on an internal long term basis has increased from $37 million in the 1985–1989 Budget to $48 million in the 1986–1990 Capital Budget. Capital expenditure totalled $49 million for 1986 with internal financing (Current and Reserves) accounting for 71% of this.

Pay-As-You-Go benefits continue to materialize in terms of declining debt outstanding and debt service impact. Long term debt outstanding as at the end of the year is $81 million or $191 per capita – a five year reduction of $60 per capita when compared to 1982. The percentage of operating revenues required to service long term debt has dropped accordingly. Only 6.2% of 1986 operating revenue was required to service debt as opposed to 7.9% in 1982. The Region's Reserves and Reserve Fund now represent 89% of total long-term debt outstanding – a 37% increase from that of 1982.

Hamilton-Wentworth expects to make their second visit to the European capital market in 1987 with a $50 million issue of Euro Canadian dollars; with the goal of obtaining the best possible rate for the Region plus an attractive spread – again supported by our AAA– credit rating. The Region's $23 million share of the issue will be applied to the major Roads Rehabilitation Program. We are proud to be one of a select few major municipalities that have established a presence with a large number of senior European bankers and investors.

FINANCIAL POLICIES

The decision to address severely deteriorated arterial road conditions in the 1987–1991 Capital Budget will necessitate external funding. The Region's Pay-As-You-Go Financing Plan was not designed to meet the needs of our accelerated roads program. This major project, in addition to major Hospital programs, is one of a very few financing exceptions to the Pay-As-You-Go program.

Sound financial management is an ongoing key objective of all areas of the Finance Department. Successful initiatives in this regard for 1986 include significant cost savings in the areas of Self-insurance, Custodial services, Pension Fund Management, Risk Management and Employee Benefits.

The Region's move to a greater level of self-insurance proved to be very successful as the increase to $500,000 deductible resulted in a $200,000 savings to the taxpayer in 1986.

In keeping with our sound financial management policy the Region reviewed and tendered the entire benefit package for all Regional employees in 1986. This will result in estimated savings in excess of $2.4 million over the next five years.

During 1986, a review of the Region's pension fund administration lead to the tendering of custodial services which will result in cash savings over the next three years and better reporting/monitoring capabilities.

In terms of investment performance, the Region administers the investments of two pension funds – the Hamilton Street Railway and the Hamilton-Wentworth Retirement Fund, in addition to the Region's regular investment program. Both pension funds achieved first quartile rankings as measured by S.E.I. Funds Evaluation Service. The Hamilton Street Railway fund, with a 21.7% return, was the highest returning fund measured by the S.E.I. The above average return enabled both funds to move from actuarial deficits to fully funded positions. The returns on the Region's regular investment program of 13.4% exceeded the 91 day Treasury Bill average return by 4.4.% – this represents additional investment income of $3.9 million.

Qualitative enhancements are also pursued throughout the Department of Finance. The Region's receipt of the Government Finance Officers Association's Distinguished Budget Award for the second consecutive year substantiates our pursuit for management excellence. In addition, further progress has been made towards improving office efficiency by using computer functions such as time management, word processing and electronic mail. Also, significant steps are being taken to improve management information by using modern techniques for analyzing data. In this regard, the personal computer is playing an increasingly important, low cost role.

CONCLUSION

The production of the Region's Annual Financial Report depends on a large number of people pulling together as a team. Only through the efforts and co-operation of the staff in the Department of Finance, the other Regional Departments, Boards and Agencies, and the Region's auditors, Pannell Kerr MacGillivray, was it possible to complete the Audited Financial Report by February 25, 1987. Hamilton-Wentworth was again the first Region in Ontario with final audited results, continuing a pattern established by this Region over the past four years.

G.W. Lawson, CPFA, CGA
Treasurer & Commissioner of Finance

FINANCE MANAGEMENT

DEPARTMENT OF FINANCE

G. W. Lawson, CPFA, CGA
Commissioner of Finance

T. J. Bunce, CMA
Director of Accounting

D. J. Tyler, CPFA
Director of Finance

J. P. Bruzzese, CGA
Director of Revenue

M. A. Peacock, CA
Internal Auditor

D. T. McInnis, CMA
Manager of Reporting and Accounting Services

AUDITORS

Pannell Kerr MacGillivray, Chartered Accountants

FISCAL AGENCY

Wood Gundy Inc.
Pemberton Houston Willoughby Bell Gouinlock Inc.

BANKER

Canadian Imperial Bank of Commerce

FIVE YEAR REVIEW

FINANCIAL (in $ 000's)	**1986** $	1985 $	1984 $	1983 $	1982 $
CURRENT PROGRAM ACTIVITY					
Analysis of Revenue					
Property taxation	**90,280**	83,458	78,443	75,246	72,039
Direct charges to ratepayers	**40,225**	38,469	36,383	39,381	33,289
Provincial subsidies	**90,740**	85,858	84,756	85,584	81,764
Fees and service charges	**37,210**	33,875	31,060	28,530	26,680
Other revenue	**10,638**	9,800	8,813	5,414	5,112
Surplus from previous year	**1,535**	1,384	1,117	1,386	2,645
	270,628	252,844	240,572	235,541	221,529
Analysis of Expenditure					
Salaries and wages	**116,822**	109,033	105,245	96,943	86,557
Goods and services	**65,265**	60,806	53,002	54,244	51,242
Transfer payments	**70,417**	65,975	65,982	66,449	64,968
Debt charges	**16,590**	15,495	14,959	16,788	17,376
	269,094	251,309	239,188	234,424	220,143
Accumulated Net Revenue at the end of the year	**1,534**	1,535	1,384	1,117	1,386
CAPITAL PROGRAM ACTIVITY					
Capital Expenditure	**48,951**	34,368	31,956	46,379	40,265
Capital Financing					
Contributions from own funds	**34,970**	17,118	28,937	22,702	24,399
Long term liabilities	**—**	8,169	—	—	5,713
Ontario grants	**12,403**	12,129	9,406	12,236	2,090
Other	**3,991**	1,862	1,815	402	3,001
	51,364	39,278	40,158	35,340	35,203
Unexpended Capital Financing (Unfinanced Capital Expenditure) at the end of the year	**14,653**	12,240	7,330	(872)	10,167
RESERVES AND RESERVE FUND AT THE END OF THE YEAR	**72,398**	69,496	59,320	61,969	54,739
NET LONG TERM DEBT					
General	**28,672**	32,254	27,130	28,936	30,266
Regional Enterprises	**51,060**	55,683	60,034	65,426	70,958
Reserves	**1,260**	1,390	1,519	1,644	2,530
	80,992	89,327	88,683	96,005	103,754
CHARGES FOR NET LONG TERM DEBT					
General	**6,840**	5,885	5,579	6,193	6,889
Regional Enterprises	**9,750**	9,610	9,380	10,595	10,487
Reserves	**201**	203	203	1,136	202
	16,791	15,698	15,162	17,924	17,578

	1986	1985	1984	1983	1982
	$	$	$	$	$
TAXABLE ASSESSMENT (in $ 000's)					
Residential and farm	**740,684**	725,887	716,481	699,535	689,147
Commercial and industrial	**317,630**	315,167	309,458	307,442	309,551
Business	**149,473**	148,314	145,627	142,693	143,190
Total	**1,207,787**	1,189,368	1,171,566	1,149,670	1,141,888
Commercial, industrial and business as a percentage of total	**38.7%**	39.0%	38.8%	39.1%	39.6%
STATISTICAL					
Population	**423,398**	421,264	414,469	414,456	414,175
Area in acres	**280,764**	280,764	280,764	280,764	280,764
Employees Continuous full-time	**3,222**	3,170	3,125	3,110	3,098
Households	**163,607**	160,974	157,141	155,634	155,519
PER CAPITA INFORMATION					
Taxable assessment	**$ 2,800**	$ 2,823	$ 2,829	$ 2,773	$ 2,757
Current expenditure	**$ 624**	$ 597	$ 577	$ 563	$ 532
Net long term debt					
General	**$ 68**	$ 77	$ 65	$ 70	$ 74
Regional enterprises	**120**	132	145	158	171
Reserves	**3**	3	4	4	6
	$ 191	$ 212	$ 214	$ 232	$ 251
Charges for net long term debt					
General	**$ 16**	$ 13	$ 13	$ 15	$ 17
Regional enterprises	**23**	23	23	25	25
Reserves	**—**	1	1	3	—
	$ 39	$ 37	$ 37	$ 43	$ 42

Steam Museum

A marvel of Victorian Engineering, the Pumphouse forms the focal point of the Hamilton Museum of Steam and Technology.

Photo by Dave Seldon

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of The Regional Municipality of Hamilton-Wentworth is responsible for the integrity and objectivity of the financial information and representations contained in the consolidated financial statements and other sections of their financial report. The consolidated financial statements, which in part, are based on informal judgements and estimates made by management, have been prepared by management in accordance with the accounting principles disclosed in note (1) of the notes to the consolidated financial statements, applied on a consistent basis. To assist in carrying out their responsibility, management maintains an accounting system and related controls which will provide reasonable assurance that transactions are executed and recorded in accordance with its authorization, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

The Region's independent auditors, Pannell Kerr MacGillivray, are engaged to express an opinion as to whether these consolidated financial statements present fairly the Region's financial position and operating results in accordance with the accounting principles disclosed in note (1) of the notes to the consolidated financial statements consistently applied. Their opinion is based on procedures believed by them to be sufficient to support such an opinion.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in note (1) of the notes to the consolidated financial statements. Financial information elsewhere in this Financial Report is consistent with that in the consolidated financial statements.

G.W. Lawson, CPFA, CGA
Treasurer & Commissioner of Finance
February 25, 1987

CONSOLIDATED STATEMENT OF CURRENT OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 $	1985 $
REVENUE		
Taxation and user charges		
Residential and farm taxation	**54,168**	50,075
Commercial, industrial and business taxation	**36,112**	33,383
User charges	**85,548**	80,063
Grants		
Government of Canada	**804**	176
Province of Ontario	**90,739**	85,859
Other		
Investment income	**761**	777
Other	**683**	700
TOTAL REVENUE	**268,815**	251,033
EXPENDITURE		
General government	**5,951**	5,831
Protection to persons and property	**45,148**	42,349
Transportation services	**60,392**	57,398
Environmental services	**44,568**	43,048
Health services	**10,362**	8,481
Social and family services	**65,657**	61,550
Recreation and cultural services	**3,860**	3,771
Planning and development	**4,403**	3,836
	240,341	226,264
NET APPROPRIATIONS TO OTHER FUNDS		
Reserves and Reserve Fund	**13,114**	10,345
Capital fund	**15,361**	14,273
	28,475	24,618
TOTAL EXPENDITURE	**268,816**	250,882
SURPLUS AT THE BEGINNING OF THE YEAR	**1,535**	1,384
SURPLUS AT THE END OF THE YEAR	**1,534**	1,535

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

CONSOLIDATED STATEMENT OF CAPITAL OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 $	1985 $
SOURCE OF FUNDS		
Long term liabilities incurred	—	8,169
Province of Ontario grants	**12,403**	12,129
Other	**3,991**	1,862
Net appropriations from other funds		
Current operating fund	**15,361**	14,273
Reserves and Reserve fund	**19,609**	2,845
	51,364	39,278
EXPENDITURE		
General government	**539**	61
Protection to persons & property	**589**	—
Transportation services	**18,928**	13,787
Environmental services	**28,216**	19,854
Planning and development	**198**	315
Health services	**481**	351
	48,951	34,368
UNEXPENDED CAPITAL FINANCING AT THE BEGINNING OF THE YEAR	**12,240**	7,330
UNEXPENDED CAPITAL FINANCING AT THE END OF THE YEAR	**14,653**	12,240

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

RESERVES AND RESERVE FUND STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 $	1985 $
AVAILABLE AT THE BEGINNING OF THE YEAR FOR FUTURE PURPOSES	69,496	59,320
REVENUE		
Contributions from the current operating fund	13,392	10,772
Contributions from the capital fund	2,204	2,658
Contributions from developers	1,465	1,100
Local improvement recoveries	1,923	811
Proceeds, sales, fees, other	1,019	1,284
Interest earned	8,787	6,916
MTC subsidies	13	13
TOTAL REVENUE	28,803	23,554
EXPENDITURE		
Transfers to the current operating fund	278	427
Transfers to the capital fund	21,813	5,503
Charges for long term liabilities	201	203
General	3,608	7,245
TOTAL EXPENDITURE	25,900	13,378
AVAILABLE AT THE END OF THE YEAR FOR FUTURE PURPOSES	72,399	69,496

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 $	1985 $
SOURCES OF FINANCING		
Taxation and user charges		
Residential and farm taxation	54,168	50,075
Commercial, industrial and business taxation	36,112	33,383
User charges	86,142	80,787
	176,422	164,245
Grants		
Government of Canada	804	176
Province of Ontario	103,156	98,001
	103,960	98,177
Other		
Investment income	9,545	7,653
Other	8,487	5,033
	18,032	12,276
Proceeds from the issue of long term liabilities	—	8,169
FUND BALANCES AT THE BEGINNING OF THE YEAR (note 7 (a))		
Current operating fund, to be used to offset taxation in subsequent year	1,535	1,384
Unexpended capital financing	12,240	7,330
TOTAL FINANCING AVAILABLE	312,189	292,031

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 $	1985 $
APPLIED TO		
Current Operations		
General Government	7,836	7,493
Protection to persons and property	45,148	42,364
Transportation services	60,524	57,420
Environmental services	44,568	43,457
Health services	10,362	8,481
Social and family services	65,656	61,550
Recreation and cultural services	3,860	3,771
Planning and development	4,403	3,836
	242,357	228,372
Capital operations		
General government	831	977
Protection to persons and property	1,366	1,098
Transportation services	18,928	13,787
Environmental services	28,918	23,180
Health services	481	351
Planning and development	219	315
	50,743	39,708
Net change to reserves and reserve fund	2,902	10,176
FUND BALANCES AT THE END OF THE YEAR (note 7 (a))		
Current operating fund, to be used to offset taxation in subsequent year	1,534	1,535
Unexpended capital financing	14,653	12,240
TOTAL APPLICATIONS DURING THE YEAR	312,189	292,031

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1986

ASSETS	1986 $	1985 $
Current		
Investments (note 3)	75,242	72,750
User charges receivable	5,003	5,900
Accounts receivable	26,639	19,410
Other current assets	2,863	3,086
Total current assets	109,747	101,146
Long term		
Investment in own debentures (note 3)	14,459	13,365
Capital outlay financed by long term liabilities and to be recovered in future years (note 1 (b)(iii))	80,992	89,327
Total long term assets	95,451	102,692
TOTAL ASSETS	205,198	203,838
LIABILITIES		
Current		
Temporary loans	2,104	1,222
Accounts payable and accrued liabilities	26,195	23,739
Other current liabilities	7,321	6,279
Total current liabilities	35,620	31,240
Long term		
Net long term liabilities (note 6)	80,992	89,327
TOTAL LIABILITIES	116,612	120,567
FUND BALANCES		
Current operating fund, to be used to offset taxation in subsequent year (note 7 (a))	1,534	1,535
Unexpended capital financing (note 7 (a))	14,653	12,240
Reserves (note 8)	64,239	60,747
Reserve fund (note 8)	8,160	8,749
TOTAL FUND BALANCES	88,586	83,271
TOTAL LIABILITIES AND FUND BALANCES	205,198	203,838

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of The Regional Municipality of Hamilton-Wentworth are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Basis of Consolidation

(i) The consolidated financial statements reflect the assets, liabilities, sources of financing and expenditure of the revenue fund, capital fund, reserve fund and reserves and include all activities of all committees of Council and the following local boards and Regional enterprises which are under the control of Council:

Wentworth Library Board
Hamilton-Wentworth Regional Board of Commissioners of Police
Hamilton Street Railway Company
Canada Coach Lines Limited

All interfund assets and liabilities and interfund expenditure and revenue have been eliminated in the consolidated statements.

(ii) The financial activities of certain local boards and entities are not consolidated except to the extent of amounts due to or due from those entities and the Region's contribution to those entities. Those entities which are not consolidated are as follows:

Royal Botanical Gardens
Children's Aid Societies
Conservation Authorities
Disabled and Aged Regional Transit System

(iii) Trust Funds and their related operations administered by the Region are not consolidated but are reported separately on the Trust Fund Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Accrual Accounting

The consolidated financial statements of the Region have been prepared on the basis of full accrual accounting with the exception of principal payments on long term liabilities which are charged against operations in the periods in which they are paid. Interest is accrued for the period from the last interest payment date to the end of the financial year.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Fixed Assets

The historical cost and accummulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported in the year of acquisition as an expenditure on the Consolidated Statement of Operations.

(iii) Capital Outlay to be Recovered in Future Years

Capital outlay to be recovered in future years represents the outstanding principal portion of unmatured long term liabilities and is reported on the Consolidated Balance Sheet.

(c) Investments

Investments are reported at cost on the Consolidated Balance Sheet.

2. TRUST FUNDS

Trust funds and their related operations administered by the Region amounting to $2,506,000 (1985–$2,487,000) are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

3. INVESTMENTS

The total of investments of $89,701,000 (1985–$86,115,000) reported on the Consolidated Balance Sheet at cost, have a market value of $95,677,000 (1985–$92,884,000) at the end of the year.

4. LIABILITIES UNDER PENSION PLANS

(a) The Hamilton Wentworth Retirement Plan

Approximately 150 employees of the Region are members of this plan and will be future beneficiaries under the terms and conditions of this pension plan. As at December 31, 1986 the plan is estimated to be fully funded.

(b) Transit Employees Pension Plan

Approximately 900 employees of the Region are members of this plan and will be future beneficiaries under the terms and conditions of this pension plan. As at December 31, 1986 the plan is estimated to be fully funded.

5. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $10,916,000 (1985–$10,497,000) at the end of the year. An amount of $4,286,000 (1985–$3,698,000) has been provided for this past service liability and is reported on the Consolidated Balance Sheet as a reserve.

An amount of $588,000 (1985–$714,000) has been provided for in the current year and is reported on the Consolidated Statement of Operations. The remainder of this liability will be funded by contributions in future years.

6. NET LONG TERM LIABILITIES

(a) In addition to long term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long term liabilities for Regional purposes, the Region also incurs long term liabilities on behalf of the Area Municipalities and School Boards. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities and School Boards.

The Region is contingently liable for long term liabilities with respect to tile drainage and shoreline property assistance loans, and for those for which the responsibility for the payment and interest has been assumed by other municipalities, school boards and unconsolidated local boards, municipal enterprises, and utilities. The total amount outstanding of this contingent liability as at December 31, 1986 is $55,610,000 (1985–$59,053,000) and is not reported on the Consolidated Balance Sheet.

(b) The balance of net long term liabilities reported on the Consolidated Balance Sheet is made up of the following:

	1986 $ (000's)	1985 $ (000's)
Long term liabilities incurred by the Region	106,240	113,174
Long term liabilities incurred by others for which the Region has assumed responsibility	32,560	36,616
Long term liabilities incurred by the Region for which other governments have assumed responsibility	(55,610)	(59,053)
Sinking fund and Ministry of the Environment debt retirement fund accumulated to the end of the year to retire the Region's related long term liabilities	(2,198)	(1,410)
Net long term liabilities at the end of the year	80,992	89,327

Included in the above net long term liabilities at the end of the year is an amount of $10,049,000 (1985–$11,218,000) payable in U.S. dollars and converted into Canadian dollars at the rate prevailing when the liability was incurred. If the liability was converted into Canadian dollars at the closing exchange rate prevailing at December 31, 1986 the Region's net long term liabilities would be increased by approximately $3,821,000 (1985–$4,469,000).

(c) Of the net long term liabilities certain principal payments do not represent a burden on general Regional revenue, as they are to be recovered in future years from other sources. The total principal payments for the periods 1987 to 1991, 1992 to 1996, and 1997 and thereafter and the source of financing are summarized as follows:

	1987 to 1991	1992 to 1996	1997 and thereafter	*Total Outstanding Debt* Dec. 31 1986	Dec. 31 1985
	$ (000's)	$ (000's)	$ (000's)	$ (000's)	$ (000's)
Special charges on benefitting landowners	2,379	2,236	--	4,615	4,962
Water rates	12,099	6,154	1,350	19,603	22,216
Sewer rates	7,016	6,598	13,229	26,843	28,505
Reserves	1,082	163	15	1,260	1,390
Total from other sources	22,576	15,151	14,594	52,321	57,073
Total from general revenue	17,548	10,708	416	28,671	32,254
Total	40,124	25,859	15,010	80,992	89,327

(d) Approval of the Ontario Municipal Board has been obtained for the long term liabilities in (b) issued in the name of the Region.

7. FUND BALANCES AT THE END OF THE YEAR

(a) The balances on the "Consolidated Statement of Operations" of municipal equity of $1,534,000 (1985–$1,535,000) and $14,653,000 (1985–$12,240,000) at the end of the year are comprised of the following:

	1986	1985
	$ (000's)	$ (000's)
For general reduction of taxation	**1,534**	1,535
Funds available for capital expenditure	**27,756**	22,628
Capital expenditure to be financed through reserves and reserve funds	**(5,112)**	(6,834)
Capital expenditure to be financed from the capital levy	**(7,991)**	(3,554)
	16,187	13,775

(b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 1986 has been reduced by an amount of $98,000 transferred to the Winter Control reserve as authorized by Regional Council on February 3, 1987. (Finance and Personnel Committee Report #2-87)

8. RESERVES AND RESERVE FUND

(a) The total balances of reserves and reserve fund of $64,239,000 (1985–$60,747,000) and $8,160,000 (1985–$8,749,000) respectively are made up of the following:

	1986 $ (000's)	1985 $ (000's)
Reserves set aside for specific purposes by Council		
Capital programs	44,025	43,884
Ministry of the Environment contingencies	626	531
Debt retirement	6,506	6,312
Sick leave liability	4,286	3,698
Other	8,796	6,322
	64,239	60,747
Reserve fund set aside for specific purposes by legislation		
Lot levies	8,160	8,749
Total	72,399	69,496

9. CHARGES FOR NET LONG TERM LIABILITIES

	1986 $ (000's)	1985 $ (000's)
(a) Total charges for the year for net long term liabilities were as follows:		
Principal payments including contributions to sinking funds and to the Ministry of the Environment Debt Retirement Fund	8,150	7,439
Interest	8,641	8,259
	16,791	15,698
(b) Total charges for the year for net long term liabilities were recovered as follows:		
General Regional revenue	6,840	5,885
Regional Enterprises	9,750	9,610
Reserves	201	203
	16,791	15,698

10. CONTINGENT LIABILITIES

(a) Mechanics liens in the approximate amount of $1,000,000 have been registered against the lands involved in the Hamilton Secondary Stage Sewage Treatment Plant project.

The Ontario Court of Appeal has substantiated the validity of the liens against the City of Hamilton and the Region now stands in place of the City. The Supreme Court of Canada has subsequently confirmed the findings of the Ontario Court of Appeal. It is understood that the legal implications are complex and that any resulting liability could be paid by the Region, and/or the Province of Ontario, and/or the insurers of the general contractors.

(b) A contingent liability for the potential awards for injurious affection of the lands located in the area of a Regional landfill site could exist, if the Court decides that this kind of injurious affection is compensable. The potential compensation may be approximately $1,000,000. At the end of the year the outcome is not determinable.

(c) The Region has assumed the liability for any cost awarded under the Workers' Compensation Act. An amount of $401,000 (1985–$272,000) has been provided for this liability and is reported on the Consolidated Balance Sheet as a reserve.

(d) Other legal actions are outstanding against the Region, the potential total liability for which is not significant.

11. CONTRACTUAL OBLIGATIONS

(a) The Region has agreements with the Ministry of the Environment, Ontario Housing Assistance Program and Ontario Land Corporation for various capital projects. The outstanding future obligations under these agreements amount to $14,996,000. The source of funds for future payments under these agreements will be through the Region's capital budget and related capital financing plan.

(b) The Region has outstanding contractual obligations of approximately $8,500,000 (1985–$12,070,000) for capital works. Regional Council has authorized the financing of these obligations.

(c) The Region has executed lease agreements requiring annual payments chargeable to future years as they become due and payable. The only agreements of any significance are those for administrative office space. The estimated payment in each of the next three years is approximately $1,200,000 per year.

(d) The Region has entered into an agreement with Tricil Limited for the disposal of the Region's solid waste. The agreement escalates by the application of an annual inflation factor. The cost for 1986 is $8,761,000 (1985–$8,058,000). The agreement expires December 31, 1995.

To the Chairman,
The Members of Council,
Inhabitants and Ratepayers
of the Corporation of
The Regional Municipality
of Hamilton-Wentworth.

We have examined the consolidated balance sheet of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1986 and the consolidated statement of operations for the the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note (1) to the financial statements applied on a basis consistent with that of the preceding year.

Pannell Kerr MacGillivray

Hamilton, Ontario
February 25, 1987

PANNELL KERR MacGILLIVRAY
Chartered Accountants

Ancaster Municipal Building

The Town of Ancaster has retained its rural flavour and community spirit in spite of its proximity to larger urban areas.

Photo by Dave Seldon

TRUST FUNDS

STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 1986

	Total	Welfare Trusts	Macassa Lodge Trusts	Wentworth Lodge Trusts
	$	$	$	$
BALANCE AT THE BEGINNING OF THE YEAR	**2,487**	8	1,412	1,067
Receipts				
Residents' Deposits	**4,190**	--	2,723	1,467
Interest Earned	**202**	--	109	93
Other	**21**	--	9	12
	4,413	--	2,841	1,572
Disbursements				
Maintenance Payments	**3,406**	--	2,217	1,189
Comfort Allowance	**449**	--	278	171
Residents' Charges	**209**	--	64	145
Payments to Estates	**330**	--	151	179
	4,394	--	2,710	1,684
BALANCE AT THE END OF THE YEAR	**2,506**	8	1,543	955

BALANCE SHEET
AS AT DECEMBER 31, 1986

	Total	Welfare Trusts	Macassa Lodge Trusts	Wentworth Lodge Trusts
ASSETS	$	$	$	$
Cash & short-term deposits	**1,799**	--	1,536	263
Long term securities	**699**	--	7	692
Due from revenue fund	**8**	8	--	--
	2,506	8	1,543	955
FUND EQUITY	**2,506**	8	1,543	955

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

1. ACCOUNTING POLICIES

   Basis of Accounting

   Receipts and disbursements on the Statement of Continuity are reported on the cash basis of accounting.

2. INVESTMENTS

   The investments totalling $2,025,000 (1985–$2,225,000) recorded on the Balance Sheet at cost, have a market value of $2,025,000 (1985–$2,225,000) as at the end of the year.

AUDITOR'S REPORT

To the Chairman,
The Members of Council,
Inhabitants and Ratepayers
of the Corporation of
The Regional Municipality
of Hamilton-Wentworth.

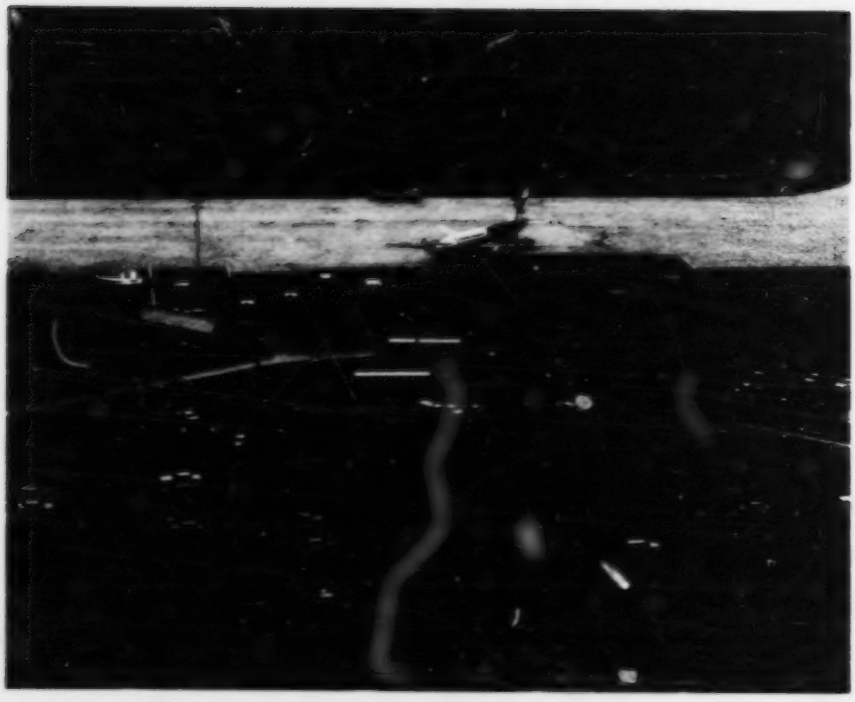
We have examined the balance sheet of the Trust Funds of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1986 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust Funds for the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1986 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in note (1) to the financial statements applied on a basis consistent with that of the preceding year.

Pannell Kerr MacGillivray

Hamilton, Ontario
February 25, 1987

PANNELL KERR MacGILLIVRAY
Chartered Accountants



Airport

The newly expanded airport located in the Township of Glanbrook offers the international traveller a modern passenger facility and convenient access.

Photo by Boschler Studios

ORGANIZATIONAL STRUCTURE

REGIONAL SERVICES

CHIEF ADMINISTRATIVE OFFICER

- provide overall direction, counsel and support for Regional departments

W. M. CARSON
Chief Administrative Officer

FINANCE AND TREASURY SERVICES

- provide financial expertise, corporate reporting, accounting control and financial policy development
- provide sewer and water billing and customer services
- secure capital financing for the Region, Area Municipalities and School Boards
- prepare and monitor current and capital budgets
- provide corporate purchasing, insurance and systems services

G. W. LAWSON
Commissioner of Finance

M. J. SCHUSTER
Commissioner of Social Services

SOCIAL SERVICES

- provide social and financial assistance to the unemployed, the unemployable and persons in need of temporary assistance
- operate Regional child development centres, day nurseries and home day care programs
- aid community, social and health agencies in their funding to provide support services in the community
- provide services and facilities for senior citizens through Homes for the Aged

R. HAMILTON
Chief of Police

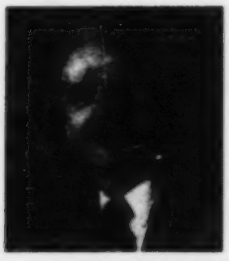
BOARD OF POLICE COMMISSIONERS

- prevent and detect crime within the Region
- protect persons and property
- maintain law and order
- provide safety instruction to youth including school traffic crossing guards
- apprehend and bring before courts of law, alleged offenders
- reduce motor vehicle collisions through selective traffic enforcement

J. R. G. LEACH
Commissioner of Engineering

ENGINEERING

- planning, design, construction and operation of water treatment facilities and distribution systems
- planning, design, construction and operation of sanitary sewage treatment facilities and sewage collection systems (Also storm sewers in the City of Hamilton)
- design, construction and maintenance of Regional road system
- disposal of solid waste using transfer stations, landfill site and incinerator
- control of subdivision servicing for the Region and City of Hamilton
- provide Engineering services to the City of Hamilton
- provide Regional laboratory services
- provide both legal and construction survey services



J. D. THOMS
Commissioner of Planning

PLANNING

- to provide the most efficient and effective land use and development pattern in the Region
- provide economic analysis and policy development
- prepare and maintain Regional official plan
- process and report on plans of subdivisions and condominiums
- to develop and maintain a centralized Regional Information Service

HEALTH SERVICES

- promote and protect the health and well-being of the citizens of Hamilton-Wentworth
- prevent disease through inspection services
- provide nursing and counselling services
- establish a comprehensive program of health education, information, diagnosis and education, information, and treatment of communicable diseases
- provide a preventive and educational dental program
- provide mental health services

DR. A. I. CUNNINGHAM
Medical Officer of Health

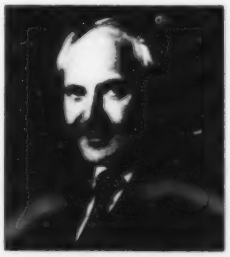
ECONOMIC DEVELOPMENT

- maintain and expand local business
- attract new business to the Region
- develop industrial park lands
- promote tourism and conventions

S. GHANEM
Director of Economic Development

TRANSPORTATION SERVICES

- provide public transit system for the Region's citizens within the Region's boundaries
- provide public inter-city transit system to neighbouring Regions and catchment area
- maintain the public transit fleets and infrastructure
- project planning, administration, funding and approvals for improvements to the Regional road system
- overall transportation planning
- monitor and administer the operation of the Regional road system



H. O. SCHWEINBENZ
Commissioner of Transportation

PERSONNEL SERVICES

- provide personnel services and policies
- negotiate collective agreements
- provide occupation, health and safety services
- provide training and development
- employee assistance and suggestion programs

L.R. FLEMMING
Director – Human Resources Centre

I. M. CALBICK
Chief Librarian

LIBRARIES

- provide a full range of library service programs for the Wentworth Library Board which operates fifteen libraries throughout the municipalities of Ancaster, Flamborough, Glanbrook and Stoney Creek

R. M. PLANT
Regional Solicitor

LEGAL SERVICES

- provide legal services to departments, committees, council, boards and agencies

P. NOE JOHNSON
Regional Clerk

REGIONAL SERVICES

- Council Secretariat
- Regional official documents and records management
- provide courier, mail, and printing services
- statutory responsibilities respecting Local Improvement Act, Secretary to Court of Revision
- provide access by public to Council records

P. AINSWORTH
Airport Manager

AIRPORT

- administer and operate the airport to Transport Canada standards and safety requirements
- promote the airport to the aviation industry through personal contact and advertising

Dundurn Castle

Dundurn Castle is the former home of Sir Allan MacNab, Prime Minister of the United Province of Canada, 1854–56.

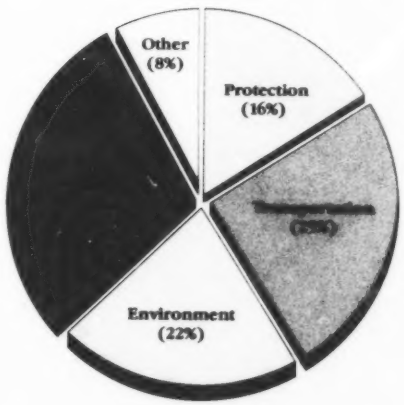
Photo by Paul Sparrow

FUND ANALYSIS- CURRENT OPERATIONS

CURRENT OPERATIONS

The Region provides a comprehensive range of day-to-day municipal services that are funded from the Current Fund and reports these activities on a functional classification and object of expenditure basis. Expenditure of the Current Fund is incurred for the purpose of the current year's operations, maintenance, administration, and financing. This embraces every transaction that is not specifically allocated to some other fund. Functional classifications for revenue reporting include Ontario grants, Canada grants, general grants, fees and grants from other municipalities, fees and service charges, donations, taxation, and other revenue.

EXPENDITURE 1986
BY FUNCTION

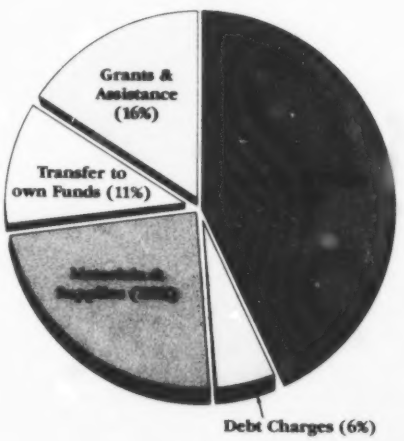


Expenditure

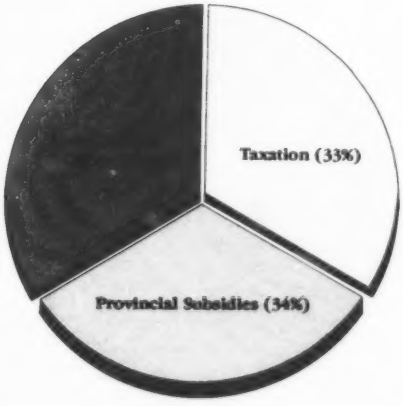
Expenditure for Current Fund functions totalled $269.1 million in 1986 which represents a 7% increase over 1985. Salaries, wages, and benefits accounted for $116.8 million or 43% of the total expenditure. Current Fund functions include social and health services, transportation, police, environmental, planning and development, recreation and culture. People-oriented services such as public health, welfare assistance, day care assistance, and Homes for the Aged comprised the largest gross expenditure at $77.4 million. This represents 29% of the total current spending. The second largest spending category, transportation, recorded expenditure of $47.6 million for transit and $18.3 million for roadways. Spending for police services ranked third in size among spending categories at $43.5 million, or 16% of the total.

Expenditure Categories	$	%
	(000's)	
Roadways	18,364	7
Transit	47,635	18
Sewer System	27,302	10
Water System	21,658	8
Solid Waste Disposal	11,052	4
Social and Health Services	77,434	29
Police	43,524	16
Other	22,124	8
Total	269,093	100

EXPENDITURE 1986
BY OBJECT



REVENUE 1986



Revenue

Revenue from current operations were $270.6 million, an increase of $17.7 million or 7% over 1985. The three main sources of funding are taxation, provincial subsidies, and user charges. Levy on area municipalities accounted for $90.3 million, provincial subsides came to $90.7 million, and user charges totalled $89.6 million. The trend to Pay-As-You-Go financing continued to have a significant impact on the Current Fund. Transfers to the Reserves and Reserve Fund increased $2.8 million, or 27% over 1985. No debentures were issued in 1986 therefore debt charges remained steady at approximately 6% of total current spending, the same level as 1985.

A current operating surplus of $1.5 million, mainly due to supplementary taxes, was reported at the close of financial operations in 1986. The Current Fund has generated a surplus every year since the Region's inception.

Stoney Creek Monument

The Stoney Creek Monument was erected in 1913 to commemorate 100 years of peace between Canada and the United States.

Photo by Dave Seldon.

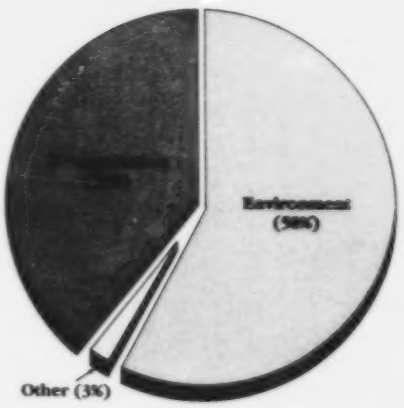
FUND ANALYSIS- CAPITAL OPERATIONS

CAPITAL OPERATIONS

The Capital Fund accounts for the receipt and disbursement of significant funds used for the acquisition or construction of capital facilities. Expenditure will usually result in benefits to the Region lasting beyond one year and would include the acquisition and improvement of land, improvement or construction of buildings, engineering structures, roads, machinery, equipment, and major studies used in providing Regional services. The primary source for financing the Region's capital improvement programs consists of internal borrowing, contributions from other governments, and current funds.

The unexpended capital receipts balance in the Capital Fund increased to $14.6 million in 1986, up from $12.2 million recorded in the previous year.

EXPENDITURE 1986

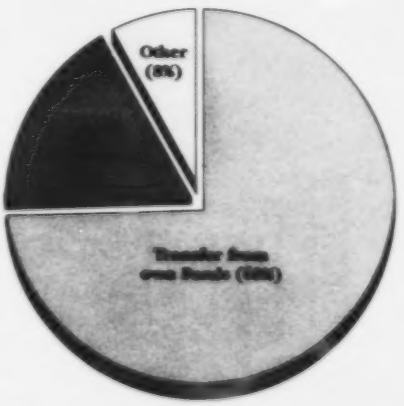


Expenditure

Capital expenditure in 1986 was $48.9 million, an increase of $14.5 million, or 42% over 1985. Collectively, roads and transit projects accounted for $18.9 million, or nearly 39% of capital spending. Substantial capital outlays were also undertaken for environmental services such as improvements to the solid waste disposal plant, sewer, and water systems. Major spending categories include the following:

Expenditure Categories	$	%
	(000's)	
Transit System	9,750	20
Roadways	9,178	19
Solid Waste Disposal	9,120	19
Sanitary Sewers	14,109	29
Water Distribution	4,987	10
Other	1,807	3
Total	48,951	100

REVENUE 1986



Transit related capital expenditure amounted to $9.7 million in 1986 with the greatest emphasis directed towards improving the quality of service. Major expenditure included the replacement and acquisition of new buses, improvements to the communication system, additional bus shelters and express services, and the installation of a new automated farebox system.

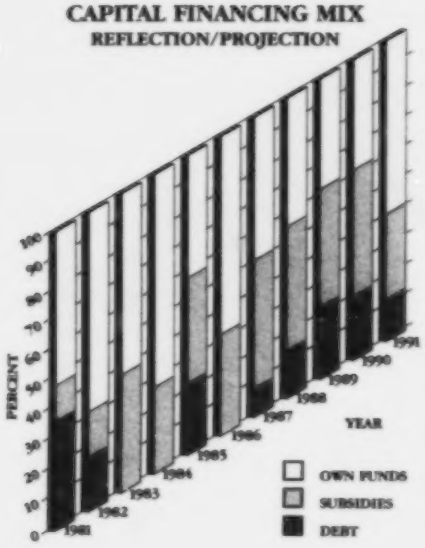
The $9.1 million expended for roadways was mainly for the maintenance and upgrading of the Regional road system.

The Region's concern for environmental protection is reflected in the $28.2 million that was spent in 1986 for this function. This represents 58% of the total capital spending.

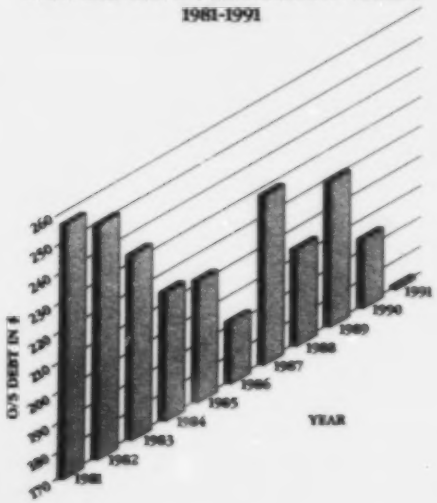
The majority of expenditure in the environment category was allocated for the maintenance and expansion of the water system, improvements to water quality in Hamilton Harbour, and the upgrading of the sanitary sewer system and waste disposal plant.

The largest capital project completed in 1986 was the $12 million retrofit of the Solid Waste Reduction Unit (S.W.A.R.U.) plant. This will result in more effective processing of Regional solid waste by reducing pollution emissions and significantly increasing the capacity of the plant.

CAPITAL FINANCING MIX
REFLECTION/PROJECTION



PER CAPITA OUTSTANDING DEBT
1981-1991



The construction of the Greenhill Avenue storage basin in the east end of Hamilton is nearing completion and will be the largest storm storage/treatment structure in the Province. This facility will reduce pollution loadings from combined sewer overflow into Redhill Creek by 95% which will result in improved water quality in Hamilton Harbour.

Other capital expenditure include the cost of general administration, regional planning and development, continued contributions to the area wide hospital reconstruction and expansion program, and a computerized record storage and retrieval system for the police department known as Project Constable.

Revenue

Revenue of $51.3 million exceeded expenditure by $2.4 million in 1986. Revenue increased $12.1 million or 31% from the previous year.

A dramatic shift in capital financing was evident in 1986 as the Reserves and Reserve Fund accounted for 38% of all revenue, up from 7% in 1985. Transfers from the Reserves and Reserve Fund of $19.6 million constituted the single largest source of capital financing. Contributions to capital from the current operating fund increased marginally from a total of $14.3 million in 1985 to $15.4 million in 1986. Revenue from internal sources represented 68% of all Capital Fund revenue, compared with 44% the preceding year. These figures reflect the trend to decrease long term borrowing by financing a greater portion of capital expenditure from internal sources. This is known as the Pay-As-You-Go Capital Financing Plan.

1987–1991 Capital Program

Five-year Capital Budgets are updated each year to reflect any new projects, changes in financing costs, and any required operational changes in work-in-progress program accounts. These capital programs are evaluated in terms of our five-year fiscal operating program to ensure that their cost can be met within the operating budgets and are conducive to the long range Regional direction.

The choice and number of projects included in the Capital Budget are influenced by planning policies, engineering and technical considerations, and financial policies.

The 1987–1991 Capital Program envisages the expenditure of $395.1 million over the next five years. This represents an increase of $88.1 million, or 29% over the 1986–1990 Capital Program. Transportation projects will account for $219.2 million or 55% of this capital spending. Environmental services (storm, sanitary, and water services) represent a 30% share of the expenditure. The 1987–1991 Capital Program also includes a major appropriation of $24 million for a proposed new Regional Administration Building.

The total proposed gross expenditure for roadway projects over the next five years is $154.4 million. Major projects will include the North/South and East/West Freeway, and an extensive programme for upgrading the quality and service provided by the existing road system. This reflects Regional Council's desire to complete delayed work on the Regional road system and the importance that transportation programs play in the health, vitality, and growth of the community. The remaining $64.8 million will be allocated to improving the transit system, through the replacement of buses and signs, and the construction of a new transit centre.

Webster's Falls

Webster's Falls located in Flamborough is typical of the scenic beauty that can be found in the 7000 acres of parkland contained in the Region's Conservation Parks.

Photo by Dave Seldon

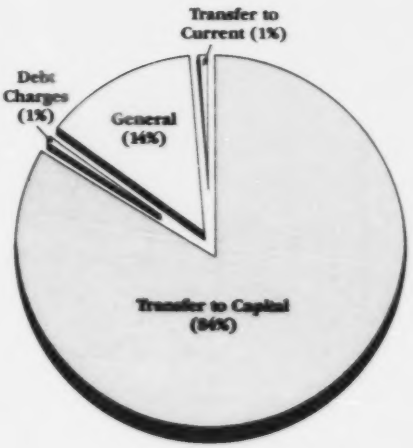
FUND ANALYSIS- RESERVES AND RESERVE FUND

RESERVES AND RESERVE FUND

The Reserves and Reserve Fund are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes including current operating programs and/or for capital outlays. These funds are classified into categories for management planning and control purposes. A comparison of these categories and their total balances for the last two fiscal years is presented in the following table:

Reserve Categories	1986 $ (000's)	1985 $ (000's)
Reserves Supporting Capital Financing	45,735	48,237
Capital Reserves	8,800	7,479
Allocated Reserves	17,321	12,390
Other	542	1,390
Total	72,398	69,496

EXPENDITURE 1986

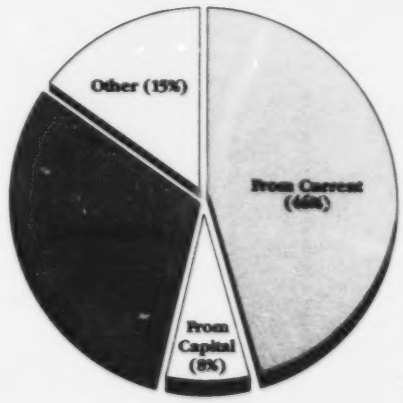


Reserves Supporting Capital Financing

Since adoption of the Region's Pay-As-You-Go policy in 1983, reserves of this category have been used to fund capital expenditure. Internal financing of the Region's capital program has enabled the Region to reduce long term debt per capita from $251 in 1982 to $191 in 1986. This $60 per capita reduction was achieved even though there has been no significant increase in population during this period.

The Reserves and Reserve Fund supporting the capital financing plan have decreased 6% to $45.7 million in 1986, down from the 1985 level of $48.2 million. During 1986 the Reserves and Reserve Fund provided $20.1 million to finance capital projects.

REVENUE 1986



Capital Reserves

These reserves are utilized to cover the costs of future liabilities of a capital nature that have been incurred by the Region. The total from the Reserves and Reserve Fund required for capital purposes as at the end of 1986 is $8.8 million, an increase of $1.3 million over 1985. The estimated liability for these Reserves and Reserve Fund is $18.2 million, leaving a unfinanced liability of $9.4 million.

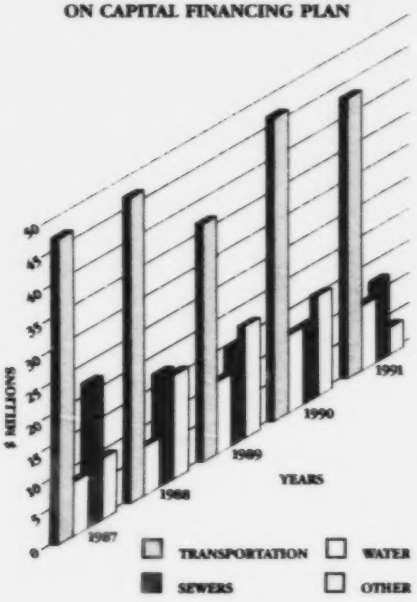
Some costs, above those provided for in budgets such as any final mechanics lien settlements may have to be met from these Reserves and Reserve Fund. It is anticipated that with an opportunity for appropriate planning, these could be accommodated over time.

Other Allocated Reserves

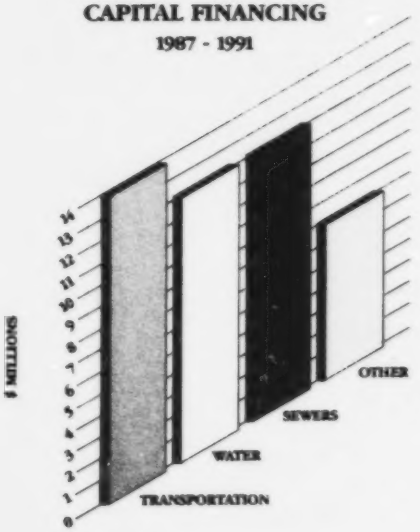
The balance of other allocated reserves increased by $4.9 million in 1986 to $17.3 million. Reserves of this category are generally used to cover expenditure of a non-recurring nature, contingent liabilities, or planning for future known liabilities. By utilizing these reserves in this manner, the Region can phase in the impact on operating budgets and minimize future problems.

In 1986, $3.6 million was expended from these Reserves and Reserve Fund. For 1987, it is estimated that a further $4.1 million will be expended from the

CAPITAL PROGRAM DEMANDS
ON CAPITAL FINANCING PLAN



RESERVES SUPPORTING
CAPITAL FINANCING
1987 - 1991



Reserves and Reserve Fund with payments to the Workers Compensation Board ($850,000), Self-Insurance premiums/claims/commitments ($1,685,000), and Vehicle replacements/conversions ($1,213,000), comprising the bulk of the expenditure. In terms of determinable (measureable) liabilities associated with these Reserves and Reserve Fund only $11.8 million was identified as at the end of 1986. Vested Sick Leave credits on behalf of employees' of the Region accounted for $10.9 million of the total measurable liability. It is anticipated that departmental budgets will accommodate sick leave cash payments in the future via planned and regular retirements.

1987–1991 Capital Program

It is expected that 17% of the total 1987–1991 planned capital expenditure will be financed from the Reserves and Reserve Fund. Contributions from these reserves will decrease over time as the Pay-As-You-Go Capital Financing Policy is completely implemented. The current operating fund on the other hand, will increase its capital expenditure financing role. The projected capital financing percentage from own funds for the period 1987 to 1991 is shown in the following table.

Own Funds	1987	1988	1989	1990	1991
	%	%	%	%	%
Current Fund	23	23	28	27	39
Reserves and Reserve Fund	27	22	11	12	11

This financing transition can be seen upon the review of the 1987–199' Capital Budget. Capital financing from the Reserves and Reserve Fund will represent 11% of planned capital expenditure for 1991 as opposed to 27% of 1987 planned capital expenditure. Accordingly, the current operating fund will increase its financing of planned capital expenditure by 16% over the 1987–1991 period.